Get in bears, we’re going to mars

MARKET HIGHLIGHTS

Indian peanut price rose again to a new high again, amid healthy demand for sowing seeds and demand from peanut oil companies. China is seen missing from the USA’s buyers list this year. Brazil has a problematic crop and offers are scarce. Argentina has a good crop as harvest gets underway.

It’s a weather dependent market

Cyclone Vayu: Ahead of the South-West monsoon, official entry into Gujarat this year, spell of showers triggered by cyclonic storm Vayu has brightened the sowing prospects. Gujarat (10.5 mn ha) has received nearly 10 per cent of their normal rains. After the vayu triggered rains, peanut sowing jumped from 1,200 ha to about 32,900 ha. General cultivation is expected to rise this season compared to last year as farmers see better prospects for the crop. Major reason is because prices are rising above FOB for sowing seeds, there is a strong indication of a further higher sowing area during the next year. Gujarat produced bumper peanut crops for the past two seasons, resulting into a massive procurement activity by State and Central agencies to protect farmers from losses.

Rains are here, but where are the seeds? The first time in half a decade, there was rain in June in South India. It enabled farmers to prepare the ground for sowing. About 0.15 mn hectares are yet to be cultivated, predominantly peanut this year. It was planned about 75,000 metric tons of seeds for distribution to the farmers. The monsoon showers prompted farmer to rush to the seeds distribution centres but majority of them had not received empt- handed citing delay in the arrival of seeds stocks, officials postponed distribution twice in June.

The sowing season would most likely end by the first week of July. After the farmers’ unrest had spread all over the districts, officials held a meeting on the situation of distribution and the stocks procurement schedule.

Win-win for farmers - oil millers: The Gujarat government and National Agricultural Cooperative Marketing Federation of India (Nafed) conducted a joint exercise to revive over 140 closed peanut oil mills in the state. There are nearly 350 peanut oil mills in Gujarat. Of these, half are closed, mainly due to short supply of raw material. Generally, Nafed is procuring peanut directly from farmers and releasing stock in phased manner to buyers. However, oil millers are facing practical problem of short supply of raw material despite peanut stocks stored in Nafed warehouses. Farmers are switching to other crops like cotton and hence peanut cultivation area has gone down in the state. To solve these, it was decided to involve oil millers in the purchase of peanut to ensure adequate supply to oil mills. It would be win-win situation for farmers, oil millers and the state government. Farmers would get good price for their produce and oil millers would get ready buyer. The state government would get good quality edible oil extracted from locally-grown crop.

...demand is fuelled by domestic demand with international demand following suit.

Indian Peanut Market

Gujarat the largest producer and exporter of the peanut in India has gained increased momentum due to the ongoing crisis in Sudan. Given the poor performance, exporters and experts are apprehensive that the exports from Gujarat would not cross 0.25 mn tons for entire 2018-19. However, the exports picked pace after the unrest gripped Sudan since December ‘18. About 4 percent of Gujarat’s total peanut exports were made during December to March’19.

Coupled with Sudan crisis, low crop & quality problems in Mozambique helped India capture market demand from China, Vietnam, Indonesia, Philippines and Malaysia, resulting in the revival of export volumes. However, the majority of therevival on the peanut prices across various types is attributable to the local market, while export demand is wide spread, the quantity is still very limited. With tight liquidity and a possible delay in harvest, could result in a potentially higher prices, and hence both domestic & export buyers had jumped in to cover their requirements, reluctantly. There may not be any easing of price levels prior to the new crop production estimates and arrival of interim crops which may happen during the month of July.

Godspeed India!

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